



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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FOR IMMEDIATE RELEASE

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LEONARD OUTLINES NEW BOE FUNDING IN STATE BUDGET

Board of Equalization (BOE) Member Bill Leonard announced today that the 2006-2007 state budget, recently signed by Governor Schwarzenegger, allows the BOE to expand its efforts to fairly and effectively administer California's tax laws.

The uneven application of sales and excise taxes puts legitimate California retailers at a disadvantage. The budget's new programs are solely designed to promote compliance with existing tax laws.

One program will target unpaid taxes from purchasers of cigarettes and tobacco products through mail order or over the internet.

"There is no tax-free deal for cigarettes bought online. Retail and individual consumers are still responsible for paying state taxes," said Bill Leonard. "Information on cigarette sales, unlike other online purchases, is made available by Federal law, telling the Board who has made these purchases."

Other programs include monitoring retail businesses who fail to acquire seller's permits. The BOE will also be able to better analyze data obtained from U.S. Customs and monitor agricultural stations to detect property brought into California subject to unpaid use tax.

The BOE collects sales and use tax and a variety of special taxes and fees including levies on cigarette and tobacco products, fuels, and alcohol.

The BOE will look to recover millions in state tax revenues from internet and mail order cigarette and tobacco purchases. Many out-of-state internet and mail order vendors are not required to collect any tax on purchases sent to California. The BOE plans to follow up on approximately 180,000 out-of-state cigarette and tobacco receipts to let taxpayers know they owe state excise and sales taxes on those purchases. Cigarette excise tax is currently 87 cents per pack; the tobacco tax rate is 46.76% of the product's wholesale price. Local sales and use tax rates also apply to these purchases. This enforcement is expected to generate \$33.8 million in revenue during the 2006-07 fiscal year.

The largest program installs a retail license enforcement team that will canvass retail establishments to make sure they hold California seller's permits. A seller's permit allows a retailer to collect and pay sales tax in accordance with state law. Registered and licensed retailers who comply with state law must compete with an estimated 30,000 to 50,000 unregistered and non-taxpaying stores.

Detecting and identifying property subject to unpaid use tax will be the job of a new team that

will be stationed at California Department of Food and Agriculture and California Highway Patrol inspection stations. The budget also adds resources to a team currently using data from the U.S. Department of Customs to identify untaxed property purchased outside of the country.

The budget set the agency's overall operating budget at \$369 million for the fiscal year beginning July 1, 2006. The budget also includes new agency programs allowing a study of valuation factors for biopharmaceutical and high-tech equipment and additional staff to administer the International Fuel Tax Agreement (IFTA).

Bill Leonard, of Sacramento/Ontario, was elected to his first term as Second District Member of the State Board of Equalization in 2002. Prior to his election, he served in the State Assembly (1978-1988, 1996-2002) and in the State Senate (1988-1996).

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$50 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

Other Board Members include Betty T. Yee of San Francisco, Acting Member, First District; Claude Parrish of Long Beach, Third District; Chairman John Chiang of Los Angeles, Fourth District; and State Controller Steve Westly.

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